PROVINCE OF SASKATCHEWAN

11-12

ANNUAL REPORT

SASKATCHEWAN TEACHERS' SUPERANNUATION COMMISSION

Group Life Insurance

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This annual report is available in electronic format at **www.stsc.gov.sk.ca**

Letter of Transmittal

The Honourable Russ Marchuk
Minister in Charge
Teachers' Superannuation Commission

Sir:

The Teachers' Superannuation Commission has the honour to submit the Annual Report outlining activities under *The Teachers' Group Life Insurance Plan* for the year ending August 31, 2012.

Respectfully submitted,

Dr. Derwyn Crozier-Smith
Chairperson

2011 – 2012 Annual Report

The Saskatchewan Teachers' Superannuation Commission
129 – 3085 Albert Street
Regina, Saskatchewan S4S 0B1

submits the:

Fourth Annual Report (including financial statements)
under separate cover with respect to
The Teachers' Life Insurance (Government Contributory) Act Chapter T-8, R.S.S. 1978
for the Year Ended August 31, 2012

Activities with respect to this Plan were previously reported without financial statements within the Teachers' Superannuation Commission's Annual Report since the Plan's inception on September 1, 1960

Teachers' Superannuation Commission

The Teachers' Superannuation Commission (TSC, the Commission) is established under *The Teachers' Superannuation and Disability Benefits Act*.

The Minister of Finance is the trustee of the Teachers' Superannuation Fund (TSF) while the TSC is charged with administration of *The Teachers' Superannuation and Disability Benefits Act*, *The Teachers' Dental Plan Act*, and *The Teachers' Life Insurance (Government Contributory) Act*.

Mission

The Commission's mission is to provide pensions and benefits for plan members through prudent stewardship of assets and liabilities and effective plan administration in accordance with current legislation.

Mandate

To attain this outcome, our organizational mandate is to administer the various Acts to ensure the provision of retirement and negotiated benefits to teachers. The various Acts (and regulations thereto) are:

- *The Teachers' Superannuation and Disability Benefits Act*
- *The Teachers' Life Insurance (Government Contributory) Act*
- *The Teachers' Dental Plan Act*

The TSC is not subject to the *Pension Benefits Act, 1992* except in relation to investments.

Objectives

Our specific objectives associated with this organizational mandate as they relate to the Teachers' Group Life Insurance (the Plan) are:

- Communicate information and guidance to plan members
- Maintain appropriate financial records of the affairs of the Plan
- Administer the insurance claims associated with death and dismemberment in conjunction with the service carrier

Teachers' Superannuation Commission

Accountability

The TSC issues this annual report including audited financial statements.

Commission Members

The TSC is responsible to the Minister in Charge for the administration of *The Teachers' Superannuation and Disability Benefits,* who at present is also the Minister of Education (the Minister).

The TSC consists of seven members appointed by the Lieutenant Governor in Council:

- Three members are nominated by the STF
- executive committee
- Three members are nominated by the Minister
- A Chairperson nominated by the other six members

Appointments are typically for a term of five years and are eligible for reappointment.

Effective February 1, 2012, Shirley Humphries's five year term on the Commission expired. Dr. Humphries served on the Commission on two occasions, the first from December 7, 1993 to October 22, 1997 and was appointed again effective February 1, 2002.

To fill the vacancy resulting from Dr. Humphries's departure, Ms. Laurel Irving Piot, Senior Administrative Staff, STF was appointed to the Commission on February 29, 2012.

Effective April 24, 2012, Dawn Court resigned from the Commission. Ms. Court was appointed to the Commission effective December 2, 2009.

The Commission gratefully recognizes the contributions of Dr. Humphries and Ms. Court.

Commission member role and responsibilities

- Fulfill the mission statement
- Administer the Plans in compliance with governing legislation
- Promote awareness and understanding of the Plans
- Monitor management and administration of the Plans
- Report annually to the Minister of Finance

Commission members as at August 31, 2012 with background credentials are:

Derwyn Crozier-Smith, B.Ed., B. A., M.Ed., Ph.D. Chairperson Former STF General Secretary, Former STF Executive Assistant	
Brian Smith, B.A., M.E.S. Assistant Deputy Minister Ministry of Finance	**Daryl Nordick, B.Ed., B.A., P.G.D., M.Ed.** Senior Administrative Staff Saskatchewan Teachers' Federation
Clint Repski, B.Admin, CA Senior Policy Advisor, Cabinet Planning Executive Council and Office of the Premier	**Murray Wall, B.Ed., B.Sc., M.Ed.** Senior Administrative Staff Saskatchewan Teachers' Federation
	Laurel Irving Piot, B.Ed., P.G.D., M.Ed. Senior Administrative Staff Saskatchewan Teachers' Federation

Teachers' Superannuation Commission

Administration

The TSC employs an Executive Director and staff required for administration of the various legislation and commission policies and is independent from management.

The administrative team represents 12.9 full time equivalent employees. The administrative team also highlight certain policy decision items to the Commission members, including relevant recommendations, and respond to requests for information or onward execution as requested by Commission members.

Administration works very closely and cooperatively with the Saskatchewan Teachers' Federation to ensure seamless delivery of consistent, high-quality services to teachers across the province.

Management formally communicates to Commission members on the operational activities at the regularly scheduled meetings, in addition to ad-hoc communications on various matters.

The $1.5 million operating budget of the Commission is paid out of monies appropriated by the Legislature.

The Commission acknowledges with sincere appreciation, the administrative team whose efforts resulted in another successful year of service to the membership.

The Commission also expresses its appreciation to the Saskatchewan Teachers' Federation, the school boards and regional colleges and the administrative staff within the Ministry of Education for their respective contributions to the success of the Commission.

Consultants

When required, legal consultation is provided by either the Ministry of Justice or private legal counsel. Legal advice provided to the Commission ensures all legal obligations are fulfilled.

Specialized information technology services are provided by ESTI Consulting Services to ensure the critical group insurance and backbone network systems are securely maintained.

Teachers' Group Life Insurance Plan

Introduction

The Teachers' Group Life Insurance Plan is a special purpose fund established September 1, 1960 and is administered by the Saskatchewan Teachers' Superannuation Commission under *The Teachers' Life Insurance (Government Contributory) Act* and *The Teachers' Life Insurance Regulations.*

The Plan provides basic life insurance coverage at the commencement of employment to active and superannuated teachers without a medical examination. The coverage is automatically renewed every year. At retirement, members can elect to continue insurance coverage.

The Provincial Collective Bargaining Agreement sets out the amount of coverage teachers will receive. Active Teachers pay 50% of their premium each month and the General Revenue Fund – Ministry of Finance pays 50% of the premium. The premiums are established each year by Sun Life Assurance Company of Canada (Sun Life of Canada) on an annual basis. The Plan also collects a premium for accidental death and dismemberment ("AD&D") coverage. Superannuated teachers, Secretaries, Treasurers, Secretary-Treasurers and Superintendents of administration are responsible for 100 per cent of the premiums required.

Insurance Carrier

The Plan is administered under the terms of a Financial Letter of Understanding with Sun Life of Canada. Sun Life provides claims adjudication and benefit payment services to the Plan under Group Insurance Contract No. 83974.

At August 31, 2012, there were 20,942 insured members (2011 – 20,526).

Teachers' Group Life Insurance Plan

The Teachers' Group Life Insurance Plan was started September 1, 1960 to provide group life insurance coverage for the following:

- teachers employed under contract with a Board of Education, a private school, a regional college or SIAST prior to 1998
- teachers employed under a temporary contract for a term of at least 20 teaching days, effective March 24, 1998
- teachers employed on a full-time basis by the Saskatchewan Teachers' Federation or the Saskatchewan School Boards Association in positions requiring the professional qualifications and experience of a teacher
- person employed on a full-time basis with a Board of Education whose position requires the professional qualifications of a teacher
- person holding a valid certificate issued by Saskatchewan Education and employed on a full-time basis with a Board of Education as Secretary, Treasurer, Secretary-Treasurer, Assistant Secretary, Assistant Treasurer or Assistant Secretary-Treasurer, or by the School Boards Association in a position requiring these qualifications but not a person employed on a temporary or substitute basis
- teachers who are disabled, have the option to continue insurance coverage until they attain the age of 65
- retired teachers receiving an allowance on the grounds of age and service under the Teachers' Superannuation Commission or the Saskatchewan Teachers' Retirement Plan, provided the insurance has been continuous. The teacher is responsible for all premiums for continued coverage and such eligibility ceases at age 65
- retired teachers between the age of 65 and 85 receiving an allowance on the grounds of age and service under the Teachers' Superannuation Commission or the Saskatchewan Teachers' Retirement Plan, at a reduced amount of insurance, provided the insurance coverage has been continuous
- retired Secretary, Treasurer, Secretary-Treasurer, Assistant Secretary, Assistant Treasurer or Assistant Secretary-Treasurer receiving an allowance under the Municipal Employees' Pension Plan, provided the insurance coverage has been continuous. The insured is responsible for all premiums for continued coverage

Teachers' Group Life Insurance Plan

Highlights

As at August 31	2011 – 12	No.	2010 - 11	No.
Premiums:				
Minister of Finance	$2,241,670		$1,977,217	
Members	4,488,072		3,883,169	
Total Premiums	$6,729,742		$5,860,386	
Amounts withheld from school grants	Nil		Nil	
Contributions from members on approved leave (included in member premiums above)	$78,957		$84,831	
Total number of death claims		73		66
Total amount of death claims	$5,080,000		$4,788,000	
Claims Fluctuation Reserve held in Trust	$1,204,827		$1,042,439	
Deposit Fund Reserve held in Trust	$1,446,839		$783,205	
Amounts paid for conversion of insurance	$54,774		$25,000	
Total number of members insured		20,942		20,526
Total Insurance in force	$3,125,668,000		$2,946,634,000	

Term life insurance and AD&D coverage was $162,000 from September 1, 2011 to October 3, 2011, $174,000 from October 4, 2011 to August 31, 2012 (2010/11– $162,000). Life insurance coverage for superannuates age 65 to 85 is equal to $16,000 for term life only.

Teachers' Group Life Insurance Plan
Management Report, 2012

The management of the Teachers' Superannuation Commission is responsible for the integrity of the accompanying financial statements and all other information in this Annual Report. In Canada, it is the responsibility of management to prepare financial statements in accordance with Canadian generally accepted accounting principles.

The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived there from.

The financial statements have been audited by the Provincial Auditor of Saskatchewan. The report to the Members of the Legislative Assembly, stating the scope of the examination and opinion on the financial statements, appears on page 11.

The financial statements have been examined and approved by the Commission.

Doug Volk, BA, PPAC
Executive Director

Sharlene Arklie, CGA
Senior Manager, Financial Operations

Regina, Saskatchewan
December 11, 2012

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Teachers' Group Life Insurance Plan, which comprise the statement of financial position as at August 31, 2012 and August 31, 2011, and the statements of operations and change in net assets, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

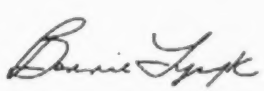
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Teachers' Group Life Insurance Plan as at August 31, 2012, and August 31, 2011, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.



Regina, Saskatchewan
December 11, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

Teachers' Group Life Insurance Plan
Statement of Financial Position

Statement 1

As at August 31

	2012	2011
Financial Assets		
Cash	$ 185,049	$ 510,191
Receivable from General Revenue Fund (Note 4)	14,593	195,694
Premiums receivable from Teachers	14,927	10,034
Receivable from Sun Life (Note 5)	2,661,818	1,835,796
Total Assets	$ 2,876,387	$ 2,551,715
Liabilities		
Current Liabilities:		
Accounts payable (Note 5)	$ 5,163	$ 5,076
Premiums payable to Sun Life	219,558	720,995
Claims payable (Note 6)	1,070,000	757,333
Total Liabilities	1,294,721	1,483,404
Net Assets and Accumulated Surplus (Statement 2)	$ 1,581,666	$ 1,068,311

(See accompanying notes to the financial statements)

Teachers' Group Life Insurance Plan — Statement 2
Statement of Operations and Change in Net Assets

Year Ended August 31

	2012	2011
Revenues		
Premiums:		
Group life term	$ 6,024,133	$ 5,212,193
Accidental death & dismemberment	705,609	648,193
Interest income	14,458	10,387
	6,744,200	5,870,773
Expenses		
Claims (Note 6)	5,080,000	4,031,000
Premiums to Sun Life for accidental death & dismemberment	705,609	648,193
Premium taxes (Note 7)	152,944	126,105
Administration	146,176	123,383
Change in provision for disabled life waiver (Note 8)	87,279	(73,939)
Conversion charges	54,774	25,000
Interest	4,063	799
	6,230,845	4,880,541
Operating Surplus for the year	513,355	990,232
Net Assets and Accumulated Surplus, beginning of year	1,068,311	78,079
Net Assets and Accumulated Surplus, end of year (Statement 1)	$ 1,581,666	$ 1,068,311

(See accompanying notes to the financial statements)

Teachers' Group Life Insurance Plan
Statement of Cash Flows

Statement 3

Year Ended August 31

	2012	2011
Cash flows from (used in) operating activities:		
Surplus for the year	$ 513,355	$ 990,232
Items not affecting cash:		
(Decrease) in provision for life insurance benefits	-	(757,000)
Changes in non-cash working capital:		
Decrease (increase) in receivable from General Revenue Fund	181,101	(193,349)
(Increase) in premiums receivable from Teachers	(4,893)	(1,910)
(Increase) in receivable from Sun Life	(826,022)	(958,565)
(Decrease) increase in premiums payable to Sun Life	(501,437)	557,773
Increase in accounts payable	87	-
Increase in claims payable	312,667	725,333
	$ (838,497)	$ 129,282
Net cash (used in) provided by operating activities	(325,142)	362,514
CASH, beginning of year	510,191	147,677
CASH, end of year (Statement 1)	$ 185,049	$ 510,191

(See accompanying notes to the financial statements)

Teachers' Group Life Insurance Plan
Notes to the Financial Statements

August 31, 2012

1. Description of the Plan

The Teachers' Group Life Insurance Plan (the Plan) is administered by the Saskatchewan Teachers' Superannuation Commission under *The Teachers' Life Insurance (Government Contributory) Act* and *The Teachers' Life Insurance Regulations*. The Plan provides term life insurance coverage at the commencement of employment without a medical examination to teachers or those deemed to be teachers employed on a full-time basis by the Saskatchewan Teachers' Federation, the Saskatchewan School Boards Association, the Regional Colleges of Saskatchewan and the Saskatchewan Institute of Applied Science and Technology. Teachers who are disabled have the option to continue insurance coverage until they attain the age of 65. The coverage is automatically renewed every year. At retirement, members can elect to continue insurance coverage to age 85 at a reduced benefit.

The Plan is administered under the terms of an agreement with Sun Life Assurance Company of Canada ("Sun Life"). All claims are adjudicated and processed for payment with Sun Life. The arrangement with Sun Life is to provide administrative services for processing claims with the Plan being responsible for unreported claims except for Accidental Death and Dismemberment (AD&D) claims and group life claims made by disabled members who have elected to waive their premiums. The Plan pays a premium to Sun Life to receive AD&D coverage for members and has no further liability. Annually, the Plan also pays Sun Life the expected claim costs for disabled members who have waived their premiums. The Plan pays general and claims administration fees to Sun Life pursuant to the agreement. Conversion charges are charged to the Plan when a policy member under age 66 has terminated their policy and makes application for an individual policy under the terms of the conversion clause.

The Provincial Collective Bargaining Agreement (PCBA) sets out the amount of coverage teachers will receive. Active Teachers pay 50% of their premium each month and the General Revenue Fund – Ministry of Education pays 50% of the premium. The premiums are set by Sun Life on an annual basis. The Plan also collects a premium for AD&D coverage. The coverage for both term life insurance and AD&D is based on twice the maximum salary of a Class VI teacher as set out in the salary grid pursuant to the teachers' PCBA. A new collective agreement for the period of September 1, 2010 to August 31, 2013 was signed effective October 4, 2011.

Term life insurance and AD&D coverage was $162,000 from September 1, 2011 to October 3, 2011, $174,000 from October 4, 2011 to August 31, 2012 (2010/11– $162,000). Life insurance coverage for superannuates age 65 to 85 is equal to $16,000 for term life only.

Superannuated teachers, Secretaries, Treasurers, Secretary-Treasurers and Superintendents of administration are responsible for 100 per cent of the premiums required. The preceding information is a summary of the Plan and further details can be found in the Plan text.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards. The following accounting policies are considered significant:

a) Premium Revenue

Premiums are recognized when due.

b) Claims Payable

Group Life policies are considered yearly termed life policies that are automatically renewed every year. Under such life policies, claims are recorded in the year of the claim. Claims payable includes a provision for life insurance benefits which represents an estimated amount for claims incurred but not reported (IBNR).

The provision for life insurance benefits is subject to uncertainty and is selected from a range of possible outcomes. Adjustments to the provisions for life insurance benefits are made as additional information becomes available. The provision for life insurance benefits is determined using an estimated IBNR reserve factor. Any resulting change in the liability pursuant to the estimation is recognized as a change in claims expense in the Statement of Operations and Change in Net Assets.

c) Claims expense

Claims are recognized in the year they are incurred. Claims expense includes payments arising from life claims received during the year and an accrual for life claims received after the year end for fatalities that occurred during the year.

d) Cash

Cash consists of balances with the bank.

e) Use of Estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

The primary measurement uncertainty arising from the use of estimates which may affect reported amounts, relates to the valuation of the provision of life insurance benefits – see Note 6.

f) Financial instruments

Changes in fair value are recognized in the Statement of Operations and Change in Net Assets. Receivables and payables are measured at amortized cost. The carrying value of financial instruments approximate their fair value due to their short-term nature.

3. Adoption of New Accounting Standards

Effective fiscal years beginning on or after January 1, 2011, the Plan had a choice between Section 4600 – *Pension Plans*, of Part IV of the Handbook or Public Sector Accounting Standards. The financial statements for the year ended August 31, 2012 have been prepared in accordance with Canadian public sector accounting standards. There were no material differences that affected the financial statements of the Plan and as a result, the September 1, 2010 comparative is not presented on Statement 1 at the discretion of Management.

In addition, effective January 1, 2011, the Plan early adopted Sections PS 3450, Financial Instruments, PS 2601, Foreign Currency Translation and PS 1201, Financial Statement Presentation on a prospective basis, without restatement of 2011 comparative figures. No adjustments were required from the adoption of these accounting standards.

4. Receivable from General Revenue Fund

The receivable from General Revenue Fund consists of premiums receivable of $19,669 (2011 - $200,770) offset by $5,076 (2011 - $5,076) payable from the General Revenue Fund discussed below in Note 5.

5. Receivable from Sun Life of Canada

The receivable from Sun Life of Canada consists of $10,152 in overpaid premiums from teachers and superannuates as well as the Claims Fluctuation Reserve and the Deposit Fund Reserve receivables. Each receivable is outlined below.

In 2008, a number of teachers and superannuates overpaid their premiums which were also subsequently matched by the General Revenue Fund. The total overpayment of $10,152 (2011 – $10,152) is receivable from Sun Life of Canada and will be reimbursed to both the teachers/superannuates as well as to the General Revenue Fund in the amount of $5,076 each.

According to the agreement between the Teachers' Group Life Insurance Plan and Sun Life of Canada, two reserves have been established for the Plan.

Claims Fluctuation Reserve

The Claims Fluctuation Reserve was established to maintain a minimum balance to cover deficits incurred in a given Plan year. 50% of the available Plan Year surplus determined on the cash basis under retention accounting, plus 100% of the interest allocated to the Claims Fluctuation Reserve, will be transferred until such time that the balance in this reserve is equal to 20% of the plan year premium. The interest rate applied to this reserve balance is equal to the average of the three middle one-year GIC rates issued by the five largest Canadian chartered banks in the month of investment. The interest rate paid to the claims fluctuation reserve for the year ended August 31, 2012 was 0.90% (August 31, 2011 – 0.90%) and amounted to $9,382 (August 31, 2011 - $7,692). The amount receivable from Sun Life at August 31, 2012 was $1,204,827 (August 31, 2011 - $1,042,439).

Deposit Fund Reserve

Sun Life maintains a Contract Holder-owned deposit account to hold undistributed refunds of surplus. Amounts held in this account are available to the Teachers' Superannuation Commission upon request. Interest is credited on any account balance carried forward at a rate equal to the monthly average of the 90-day Treasury Bill rates auctioned during the Plan Year as published in the Bank of Canada Review, less 0.5%. The interest rate paid to the deposit fund reserve for the year ended August 31, 2012 was 0.40% (August 31, 2011 – 0.41%) and amounted to $3,135 (August 31, 2011 – $89). The amount receivable from Sun Life at August 31, 2012 was $1,446,839 (August 31, 2011 - $783,205).

Reserves upon termination of the Agreement with Sun Life

Upon termination of the agreement, Sun Life will prepare a terminal accounting report on a cash basis for the Plan and the final charge to Plan for the waiver of premiums. Any remaining surplus is added to the Claims Fluctuation Reserve or is transferred to the Deposit Fund Reserve and then refunded to the Commission.

6. Claims Payable

Claims payable includes a provision for life insurance benefits and is determined by applying an IBNR reserve factor to group life term premiums received within the year less any claims payable and outstanding at the end of the year. The IBNR reserve factor is an estimation factor based on an aggregate of IBNR claims determined by calendar month over a three year period.

The total provision for life insurance benefits IBNR claims as at August 31, 2012 is $nil (August 31, 2011 - $nil).

7. Premium taxes

Premium taxes are provincial taxes remitted by the carrier on behalf of the Plan to each of the provincial or federal governments based on the premium tax rates established in that jurisdiction. The average tax rate is calculated based on the percentage of members in each province or country. The average premium tax rate charged by the Plan for the year ended August 31, 2012 was 2.95% (August 31, 2011 – 2.95%).

8. Change in provision for disabled life waiver

The Plan is required to pay Sun Life the cost of the change in provision for the disabled life waiver, which is the estimated group life insurance benefits payable in respect of each person with a disability claim incurred on or before August 31, who waived their payment of premiums. The change in the provision for disabled life waiver is recorded in the Statement of Operations and Change in Net Assets.

The amount held by Sun Life for the provision for disabled life waiver at August 31, 2012 was $302,919 (August 31, 2011 - $215,640).

9. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise from these instruments are credit risk, liquidity risk and market risk in the form of interest rate risk.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from current and long term receivables. The maximum credit risk to which it is exposed at August 31, 2012 is limited to the carrying value of the financial assets summarized below:

	2012 Carrying Value	2011 Carrying Value
Receivable from General Revenue Fund	14,593	195,694
Premiums receivable from Teachers	14,927	10,034
Receivable from Sun Life	2,661,818	1,835,796

The receivable from the General Revenue Fund consists of government matching contributions and bears no risk as they are statutory in nature. Premiums receivable from teachers are generally received within 30 days. The Plan is exposed to minimal credit risk from the potential non-payment of accounts receivable as all premiums receivable from school divisions can be withheld from future grants allocated by the Ministry of Education.

Receivables from Sun Life are held in trust. Sun Life has been rated as A+ (Superior) by the rating agency AM Best. An A+ (Superior) rating is assigned to companies, who, in their opinion, are considered to have a superior ability to meet their ongoing responsibilities. Therefore, the Plan is exposed to minimal credit risk with the current receivables from Sun Life.

Liquidity Risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Premiums are transferred to Sun Life in the month following receipt of the teacher/member premiums. The GRF's share of the premiums are requested at that time.

Pursuant to the agreement and *The Teachers' Life Insurance (Government Contributory) Act*, if there is a deficit at the end of the fiscal period and there are no funds to draw from within the receivable from Sun Life in either the Claims Fluctuation Reserve or the Deposit Fund Reserve, then the Plan has the option of increasing premiums for the next premium year.

The amounts receivable from Sun Life can be drawn from the Claims Fluctuation Reserve to cover deficits in the year incurred. The amounts receivable from Sun Life can be drawn from the Deposit Fund at the Plan's request at any given time. The accounts payable consist of overpayments of premiums that are owing to teachers.

Market risk - Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan. The value of the Plan's assets and liabilities is minimally affected by short-term changes in nominal interest in its interest bearing accounts receivable and payables.

10. Related Party Transactions

These financial statements include transactions with related parties. The Plan is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Plan is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Administration

In accordance with the Act, one half of the premiums for active teachers are requested through the Minister of Finance and paid directly to Sun Life. The Teachers' Superannuation Commission is responsible for the collection of the group term life insurance and AD&D premiums from the school divisions as well as for their subsequent remittance to Sun Life. The Ministry of Education pays the Teachers' Superannuation Commission for the administration of the Plan. No expenses are paid out of the Plan to the Teachers' Superannuation Commission for this administration. However, the Plan is responsible for the payment of general and claims administration fees to Sun Life as described in Note 1.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

11. Comparative Figures

Certain prior year balances have been reclassified to conform with the current year's financial statement presentation.

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